

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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TO: Holyoke Retirement Board

FROM: Joseph E. Connarton, Executive Director

RE: Approval of Funding Schedule

DATE: November 21, 2016

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made in equal installments on July 1 and December 31 of each fiscal year. The schedule is effective in FY17 (since the amount under the prior schedule was maintained in FY17) and is acceptable under Chapter 32.

The schedule reflects a reduction in the investment return assumption from 7.75% to 7.625%.

We note that the actual FY16 appropriations for the City were made, on average, in late November. The other units generally made monthly appropriations in FY16. If the payments going forward will not be made in accordance with the schedule (average date of October 1), you should adjust the next funding schedule to reflect a better date for anticipated appropriation payments.

Although we are approving this schedule, we note that the FY18 and FY19 amounts are the same as FY17. Although such a schedule is allowable, we recommend a schedule in which the FY18 and FY19 amounts are more consistent with the schedule adopted in 2014. The FY18 and FY19 amounts under that schedule were approximately \$17.8 million and \$18.4 million, respectively. By reducing the budgeted amounts from the prior schedule, the plan may be forced to increase its level of appropriation in future years if there are investment or actuarial losses or further reductions in the investment return assumption.

If you have any questions, please contact PERAC's Actuary, Jim Lamenzo, at (617) 666-4446, extension 921.

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SECTION 2: Valuation Results for the City of Holyoke Retirement System

CHART 16

Funding Schedule – Fully Funded by June 30, 2032, Fiscal 2018 and Fiscal 2019 Appropriations Equal to Fiscal 2017 Appropriation

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Amortization of 2002 ERI Liability	(4) Amortization of 2003 ERI Liability	(5) Amortization of 2010 ERI Liability	(6) Amortization of FY06-07 Section 90 ACD Liability	(7) Amortization of FY08-09 Section 90 ACD Liability	(8) Amortization of Section 10 Liability	(9) Amortization of Remaining Unfunded Liability	(10) Total Plan Cost: (2) + (3) (4) + (5) + (6) + (7) + (8) + (9)	(11) Total UAL at Beginning of Fiscal Year	(12) Increase Over Prior Appropriation
2017	\$3,420,332	\$32,878	\$307,095	\$153,509	\$104,650	\$38,690	\$28,032	\$13,202,926	\$17,288,112	\$153,641,752	--
2018	3,553,227	33,782	315,540	153,509	107,527	39,754	28,803	13,055,970	17,288,112	150,703,420	0.00%
2019	3,691,255	34,712	324,217	153,509	110,484	40,847	29,595	12,903,493	17,288,112	147,681,464	0.00%
2020	3,834,614	35,666	333,133	153,509	113,523	41,970	30,409	13,379,762	17,922,586	144,574,932	3.67%
2021	3,983,509	36,647	342,294	153,509	116,645	43,124	31,245	13,873,372	18,580,345	140,712,587	3.67%
2022	4,138,151	37,655	351,707	153,509	119,852	44,310	32,105	14,384,955	19,262,244	136,018,042	3.67%
2023	4,298,762	38,690	361,379	--	123,148	45,529	32,987	15,068,673	19,969,168	130,408,407	3.67%
2024	4,465,572	39,754	371,317	--	126,535	46,781	33,895	15,618,183	20,702,037	123,793,771	3.67%
2025	4,638,817	40,847	381,528	--	130,015	48,067	34,827	16,187,700	21,461,801	116,076,638	3.67%
2026	4,818,745	41,971	392,020	--	133,590	49,389	35,784	16,777,950	22,249,449	107,151,323	3.67%
2027	5,005,613	43,125	402,801	--	137,264	50,748	36,768	17,389,685	23,066,004	96,903,299	3.67%
2028	5,199,688	44,311	413,878	--	141,039	52,143	37,780	18,023,688	23,912,527	85,208,501	3.67%
2029	5,401,244	45,529	425,260	--	144,917	53,577	38,819	18,680,770	24,790,116	71,932,561	3.67%
2030	5,610,571	46,781	436,954	--	148,902	55,050	39,886	19,361,770	25,699,914	56,929,992	3.67%
2031	5,827,965	48,068	448,971	--	152,997	56,564	40,983	20,067,552	26,643,100	40,043,316	3.67%
2032	6,053,737	49,390	461,317	--	157,205	58,120	42,111	20,725,219	27,547,099	21,102,117	3.39%
2033	6,288,207	--	--	--	--	--	--	--	6,288,207	--	-77.17%

Notes: Recommended contributions are assumed to be paid on July 1 and December 31.

Item (2) reflects 3.5% growth in payroll as well as 0.15% adjustment to normal cost to reflect the effects of mortality improvement due to generational mortality assumption.

Projected normal cost does not reflect the future impact of pension reform for future hires.

Assumes contribution of budgeted amount for fiscal year 2017.

Amortization payments calculated to increase at 2.75% per year for items (3), (4), (6), (7) and (8).